

## **SECTION II. SPECIFIC INSTRUCTIONS**

### **A. ROYALTY OPERATOR REPORT (SCHEDULE O1)**

#### **1. Reporting Instructions**

##### **Overview of the Royalty Operator Report Scheme**

The operator of an Accounting Unit must file the Royalty Operator Report (Schedule O1) monthly. Use this schedule to report:

1. Royalty Product/Disposition quantities as allocated to lessees,
2. Working Interest Owner production Total Royalty Base quantities as allocated to lessees,
3. Royalty-In-Value quantities, and
4. Royalty-In-Kind splits of the Royalty Base quantity as allocated to lessees,
5. Imbalance allocation to lessees for the Current-Production-Month, and
6. Imbalance allocation to lessees for inventory/reinjected reserves for the Current-Production-Month.

This schedule is also used to file revisions to prior production month Royalty Operator Reports. When a prior month is revised a revision number is assigned in sequential number order that corresponds to the chronological order of the revision beginning with a '00' for the original report. Please refer to Part A 3. of this section for a blank copy of the Royalty Operator Report (Schedule O1). The form shown includes data item cross-referencing used in the following explanation.

The purpose of the Royalty Operator Report is to provide information on the allocation of production by Product/Disposition to the lessees within an Accounting Unit. A separate Royalty Operator Report must be filed for each Accounting Unit a lessee operates. A separate Royalty Operator Report must be filed for each 'Oil' operation or 'Gas' operation run by the operator.

The report is organized into Header Data and Report Data. The Header Data provides specific non-repetitive information about the reporter, the type of report ('Oil Report' or 'Gas Report'), and the production location and period. The Report Data provides repetitive information in lines and columns. Each line is one record; each column represents a specific data element. The Description Elements are used to describe the Information Elements.

Numeric or alpha codes are used in the Description Elements to represent the variety of Products, Dispositions, and Allocations to be reported. If applicable, code lists for the Descriptive Elements and Information Elements are in Section V Appendix A of these instructions. Additional codes may be assigned as needed to report newly automated information. Lessees should immediately contact DO&G if a code is needed and not found in Appendix A.

## **2. Data Presentation, Formats, And Element Descriptions**

### **Data Presentation:**

Refer to Part A 4. of this section for a generic example of a completed Royalty Operator Report Form.

**Product Groups:** A Royalty Operator Report must be filed by Product Group for products produced from an Accounting Unit. The Oil and NGL Product Groups listed directly below must be filed on the same 'Oil' Royalty Operator Report. NGLs are reported in the same report as oil because they are typically handled as liquids through oil facilities, although they are classified as gas products. All other Gas Group products must be filed as a separate 'Gas Report' Royalty Operator Report. When applicable, Associated Substances are filed on a separate Royalty Operator Report coded for the specific type of substance being reported. Thus, each Royalty Operator Report can have more than one product reported, i.e. Crude, Oil, NGLs on an 'Oil Report' operator report, and Wet Gas, Dry Gas, Vapors, and LPG on a 'Gas Report' operator report. Royalty production data must be reported in the following product groups:

1. Oil Group
  - Crude
  - Oil
  - Condensate
2. NGLs Group
  - Regular NGLs
  - Exchange NGLs
3. Gas Group
  - Dry Gas
  - Wet Gas
  - Vapors
  - Liquefied Petroleum Gas (LPG)
4. Associated Substances Group
  - (By Product, i.e. sulfur, etc.)

### **Data Elements:**

Header Descriptive Elements: All Description Elements must be filled in for the report to be complete.

1. Operator Name
2. (Operator mailing) Address
3. Preparer
4. Preparer Phone Number
5. Preparer Fax Number
6. Authorized Signature (Electronic)
7. Authorized Signature (person's) Name
8. Authorizers Phone Number
9. Authorizers Fax Number
10. Authorization Date
11. Customer Id Number:
12. Production Month
13. Report Type

14. Report Code
15. Accounting Unit (Name)
16. Accounting Unit Code
17. Revision Number

Report Description Elements: All Descriptive Elements, which describe an Information Element, must be filled out for the report to be complete.

1. Line Number
2. Product Code
3. Disposition Code
4. Allocation Code
5. Lessee Name

Report Information Elements: Report each Information Element on a separate line under the appropriate column heading.

1. Offtake Percent
2. Quantity – BLS/MCF
3. Selling Arrangement

#### **Data Formats:**

Report quantities as follows:

1. All 'Oil Report' (BLS), 'Gas Report' (MCF), or other quantities are to be rounded to the second decimal place (round 2nd decimal up one if the 3rd decimal is five or higher) or per applicable agreement with the State.
2. All negative numbers must be preceded by a minus (-) sign.

Report dates in exactly one of the following formats depending on the format required.

1. Report Month-Day-Year formats as 'mmddyyyy'.
2. Report Month-Year formats as 'mmyyyy'.

#### **Header Data:**

All data elements in the header must be filled out completely. The Customer ID and the Accounting Unit are critical to accurately identifying your report and production information. Inaccurate use of Customer IDs or Accounting Unit codes could result in the misfiling or misidentification of your reports. Incomplete or missing reports will be subject to administrative fee charges.

#### **Report Data:**

The Royalty Operator Report information includes the following breakdowns depending on the type of Products and Dispositions produced and/or delivered from the Accounting Unit. The Product/Disposition combinations presented here start with the most general breakdowns and proceed to more detailed breakdowns. Report some or all of the following items depending on whether you are filing an 'Oil Report' or 'Gas Report' Royalty Operator Report for an Accounting Unit. Refer to Section II A-4 for a generic example of reported items described below. All data elements pertinent to the Accounting Units in which a lessee owns leases must be filled out completely. Incomplete or missing reports will be subject to administrative fee charges.

Current-Production-Month: Schedule O1:

1. Report an allocation of the 'Gross Production' quantities by Product to the lessees participating in the Accounting Unit. In the case of typical 'Oil Report' production, use the product 'Crude' until specific Products are refined out, such as 'Oil' or 'NGLs'. In the case of typical 'Gas Report' production, use the Products 'Wet Gas' from an 'Oil Report' Accounting Unit or 'Dry Gas' from a 'Gas Report' Accounting Unit as the initial Products for gross production. After some basic refinement, 'Wet Gas' may be refined into 'Dry Gas', 'Condensate', or 'NGLs' in later steps below.
2. Report an allocation of any applicable additions or reductions to 'Gross Production' quantities that occur prior to the allocation of 'Offtake' quantities to the lessees in the Accounting Unit. Imports to an Accounting Unit must be reported with a Selling Arrangement Code that identifies the source Accounting Unit. 'Offtake' is the royalty-bearing portion of any production from the Accounting Unit. Adjustments to 'Gross Production' typically occur only in gas producing Accounting Units. Examples of adjustments that may be applied to 'Gas Report' 'Gross Production' might include but are not limited to dispositions of 'Lease Use', 'Flaring Greater than 1 Hour', 'Pilot/Purge', 'Losses', 'Reinjection', etc.
3. Report an allocation of each Product produced as 'Offtake' quantities to the lessees participating in the Accounting Unit. In the case of oil, use 'Crude' as the Product and use 'Wet Gas' or 'Dry Gas' in the case of gas to allocate Offtake from the Accounting Unit.
4. Report an allocation of any additions or reductions to 'Offtake' quantities that occur prior to the allocation of 'Pipeline Delivery' quantities to the lessees participating in the Accounting Unit. In the case of oil, go to Step 6 and follow the breakdowns of the Product 'Crude' as described in that step. Typically, gas Accounting Units may have Topping Plant, Transporter Gas, Excess Gas Taken, etc. quantities that add to or reduce the quantity sent out for pipeline delivery from the Accounting Unit.
5. Report an allocation of each Product produced and delivered as part of a pipeline delivery quantity from the Accounting Unit to the lessees participating in the Accounting Unit. In the case of oil producing Accounting Units, 'Crude' is the typical Product sent through the pipeline, and in the case of gas producing Accounting Units, 'Dry Gas' is the typical Product sent through the pipeline. In a few instances, gas may not have been refined for pipeline delivery and 'Wet Gas' may be the Product actually sent through the pipeline.
6. At this step, the composite Product of 'Crude' oil is broken down into more refined Products. Examples of refined Crude Products may include 'Oil', 'NGLs', and 'Condensate'. Report the Disposition breakdowns of these refined Products. Examples of these refined Product Dispositions might include, Load Diesel, Take-In-Kind, Exchanges, Excess Crude Taken, Crude Oil Topping Plant, etc.

NOTE: Operators must list a Selling Arrangement Code whenever he delivers quantities to sales point destinations on behalf of the lessee. For example in the case of gas, an operator must list a Selling Arrangement Code when he delivers quantity directly from the Accounting Unit to a purchaser.

NOTE: The operator must also list Selling Arrangement Codes whenever quantities are delivered to other Accounting Units as an exchange between Accounting Units. The Operator must also list a Selling Arrangement Code for quantities received or imported in the Accounting Unit. In the case of oil, Take-In-Kind (TIK) and NGL Exchanges must have a Selling Arrangement Code listed in order to identify the quantity sent to the destination Accounting Unit.

7. Report the Allocation to lessees of the Total Royalty quantity portion of the Offtake. The Total Royalty Allocation should be further broken into allocations to the lessees of Royalty-In-Volume (RIV) and Royalty-In-Kind (RIK) quantities.
8. Report an Allocation of lessee entitlement breakdowns of 'Offtake' quantities to the lessees in the Accounting Unit. In the case of oil producing Accounting Units, use the 'Crude' Product type. In the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1.
9. Report an Allocation of 'Offtake' entitlement to Lessor's and their respective lessees entitlement under each lessor's portion. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1.
10. Report an Allocation of each Product for Current-Production-Month over/under-lift quantity differences to the lessees participating in the Accounting Unit. These over/under-lift differences should reflect the balancing of 'Offtake' entitlement versus actual quantities taken for the Current-Production-Month production. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1.
11. Report an allocation of each Product for prior month accumulated total over/under-lift entitlement quantity differences to the lessees participating in the Accounting Unit. These over/under-lift differences should reflect the balancing of 'Offtake' entitlement versus quantities actually taken for the accumulated totals of over/under-lift quantities for prior months. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1.
12. Report an allocation of each Product for the new accumulated total over/under-lift entitlement quantity differences to the lessees participating in the Accounting Unit. These over/under-lift differences should reflect the balancing of 'Offtake' entitlement versus quantities actually taken for the new accumulated totals of over/under-lift quantities. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1.
13. Report an allocation of each Product for reinjected/inventory reserve entitlement quantities for the Current-Production-Month' to the lessees in the Accounting Unit. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1. For example, gas may be held in reserve by reinjection.
14. Report an allocation of each Product for reinjected/inventory reserve entitlement quantities for prior months-accumulated reserve/inventory entitlement quantity totals to the lessees in the Accounting Unit. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted

above in step 1. For example, gas may be held in reserve by reinjection.

15. Report an allocation of each Product for reinjected/inventory reserves entitlement quantities for the new accumulated reserve/inventory entitlement quantity totals to the lessees in the Accounting Unit. In the case of oil producing Accounting Units, use 'Crude' as the Product, and in the case of gas producing Accounting Units, use either 'Wet Gas' or 'Dry Gas' as the Product. The gas Product depends on the type of Accounting Unit the gas came from as noted above in step 1. For example, gas may be held in reserve by reinjection.

Prior Production Month Revisions: Schedule O1:

File complete revisions of original Royalty Operator Reports following the same rules as for the original report. Revisions must follow the new reporting requirements (Product, Disposition, Lease Type, Allocation, etc.) described in these instructions. A complete report must include all the Products and Dispositions reported on the original filing. If Product/Dispositions reported on the previous report are no longer assigned production on the revised report, that Product/Disposition must be reported on the revision with zero production assigned to it. Reporting in this manner reverses previous allocations of production to that Product/Disposition. Report any new or additional Products or Dispositions with the appropriate Allocation of production. Make corrections or additions as necessary to report a complete allocation of all quantities produced from the Accounting Unit for the Production Month revised.

## **Data Element Descriptions:**

The following section describes the manner in which data is reported in each of the data elements.

### **Header Data Elements:**

<u>Operator Name (a)</u>	List the name of the individual, partnership, firm or corporation having control or management of the operations of the Accounting Unit. The operator may be a lessee, a designated agent of the lessees, or holder of operating rights under an approved operating agreement.
<u>Address (b)</u>	List the operator's mailing address.
<u>Prepared by (c)</u>	List the name of the person who is preparing the Royalty Operator Report.
<u>Phone Number (d)</u>	List the phone number of the person who is preparing the Royalty Operator Report.
<u>FAX Number (e)</u>	List the FAX number of the person who is preparing the Royalty Operator Report.
<u>Authorized Signature (f)</u>	Signature of the person who is authorizing the Royalty Operator Report. This must be an approved electronic signature when filing electronically, refer to "SECTION III. ELECTRONIC REPORTING INSTRUCTIONS" of these instructions.
<u>Authorized Signature (Printed) (g)</u>	List the name of the authorizing signatory of the Royalty Operator Report.
<u>Phone Number (h)</u>	List the phone number of the person who is authorizing the Royalty Operator Report.
<u>FAX Number (i)</u>	List the FAX number of the person who is authorizing the Royalty Operator Report.
<u>Authorized Date (j)</u>	List the date the Royalty Operator Report is being certified as correct. Use the exact month-day-year numeric format, 'mmddyyyy'.
<u>Customer ID (k)</u>	List the Customer ID code that has been assigned to you as operator by the State of Alaska. A list of Customer ID codes can be found in Section V A-2 of these instructions.
<u>Production Month (l)</u>	List the production month and year for the production being reported. Use the exact month-year numeric format, 'mmyyyy'.
<u>Report Type (m)</u>	List the type of report you are filing; in this case a Royalty Operator Report is Report Type 'O1'. A list of Report Type codes can be found in Section V A-3 of these instructions.

<u>Report Code (n)</u>	List the report code you are filing, either an 'Oil Report' (OR) or 'Gas Report' (GC) report. A list of Report Codes can be found in Section V A-4 of these instructions.
<u>Accounting Unit (o)</u>	List the Accounting Unit name that has been assigned to the operation, lease, unit or participating area by the State of Alaska. A list of Accounting Unit names and codes can be found in Section V A-1 of these instructions.
<u>Accounting Unit Code (p)</u>	List the Accounting Unit code that has been assigned to the operation, lease, unit or participating area by the State of Alaska. A list of the Accounting Unit codes can be found in Section V A-1 of these instructions.
<u>Revision Number (q)</u>	List the revision number. Original reports must be identified with a Revision Number of '00'. Each subsequent revision increases the Revision Number by 1.
<b>Report Data Elements:</b>	
<u>Line Number (r)</u>	List the line number of each individual line of data filed in the Royalty Operator Report.
<u>Product Code (s)</u>	List the code used to identify product(s) being reported. A list of the Product Codes can be found in Section V A-5 of these instructions.
<u>Disposition Code (t)</u>	List the Disposition Code that indicates how the Product is being disposed of, either through use on or transport from the Accounting Unit. Examples of Disposition Codes for the Gas Group are: Lease Fuel, Transmission Line, Vented, Gas Lift, etc. The Disposition code also applies to the monthly production quantity from the Accounting Unit of oil, gas, or condensate that may be disposed of as Lost, Injected, Flared, Used On Lease, etc. A list of Disposition Codes can be found in Section V A-7 of these instructions.
<u>Allocation Code (u)</u>	List the Allocation Code that describes the quantity being disposed and allocated to a participating lessee on each line of the report as applicable. A list of Quantity Allocation Codes can be found in Section V A-8 of these instructions.
<u>Lessee Name (v)</u>	List the 'Lessee Name Code' of the lessee to whom the quantity is being disposed of and allocated to. List all lessees participating in the Accounting Unit for each Product/Disposition listed. A list of Lessee Name codes can be found in Section V A-2 of these instructions. List 'Total' when a line lists the 'Net Product Total'.
<u>Offtake Percent (w)</u>	List the percentage share of each applicable Product/Disposition actually taken by the participating lessee on each line of the report. See section II A-4 for a generic example of the Production/Disposition requiring percentages.



Quantity (x)

List the quantity, in thousand-cubic-feet (MCF) of gas or barrels (BLS) of liquids, being allocated to the participating lessee on each line of the report.

Selling Arrangement Code (y)

A unique code is assigned by the State to identify the different valuation methods (Selling Arrangements) under which a Product/Disposition/Lease Type Quantity is valued for a participating lessee. Examples would be: an ANS Settlement Agreement, the sale of gas in Cook Inlet or the North Slope (i.e. a Contract Sale), the exchange of production between Accounting Units, etc. A list of Selling Arrangement Codes can be found in Section V A-11 of these instructions.

NOTE: In the case of the Royalty Operator Report, Selling Arrangements only need to be listed: 1) when the operator is distributing quantity to a sales point on behalf of a participating lessee. Or 2) When the source Accounting Unit of the quantity must be tracked to the destination, such as in Exchanges, TIK, etc.

The DO&G assigns selling Arrangement Codes on a case-by-case basis. Whenever possible codes are assigned by the State after discussion with the appropriate lessee. If your Selling Arrangement is not listed in the code list, contact the DO&G to obtain a specific code for your Selling Arrangement.

### 3. Blank Schedule O1 Report Form

State of Alaska							
Department of Natural Resources							
Division of Oil and Gas							
(a) Operator Name:							
(b) Address:							
City, State, Zip:							
(c) Prepared By:							
(d) Phone Number:							
(e) Fax Number:							
(f) Authorized Signature:							
(g) Authorized Signature (Printed):							
(h) Phone Number:							
(i) Fax Number:							
(j) Authorized Date:							
State of Alaska Royalty Operator Report (O1)							
(k) Customer ID Number:							
(l) Production Month:				(o) Accounting Unit:			
(m) Report Type: O1				(p) Accounting Unit Code:			
(n) Report Code:				(q) Revision No. 00			
(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
							Selling
Line	Product	Disposition	Allocation	Lessee	Offtake	Quantity	Arrangement
No.	Code	Code	Code	Name	Percent		Code
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							

16							
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#### 4. Alaska Royalty Operator Report Completed Example

##### Alaska Royalty Operator Report Completed Example

State of Alaska

Department of Natural Resources

Division of Oil and Gas

(a) Operator Name: Any Company

(b) Address: P.O. Box 100000

City, State, Zip: Anchorage, AK 99510

(c) Prepared By: John Doe

(d) Phone Number:

(e) Fax Number:

(f) Authorized Signature: 1234567890

(g) Authorized Signature (Printed): Mr. Big

(h) Phone Number:

(i) Fax Number:

(j) Authorized Date: 12221997

State of Alaska Royalty Operator Report (O1)

(k) Customer ID Number: 000106346

(l) Production Month: 111997

(m) Report Type: O1

(n) Report Code: OR

(o) Accounting Unit: Lisburne

(p) Accounting Unit Code: LISB

(q) Revision No. 00

(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
Line No.	Product Code	Disposition Code	Allocation Code	Lessee Name	Offtake Percent	Quantity	Selling Arrangement
1	C	0006	NPT	Total	100.0000000%	254,606.00	0000000000
2	C	0006	WIO	EXXON	40.0000000%	101,842.40	0000000000
3	C	0006	WIO	BPXA	20.0000000%	50,921.20	0000000000
4	C	0006	WIO	ARCO AK	40.0000000%	101,842.40	0000000000
5	C	0008	NPT	Total	100.0000000%	254,606.00	0000000000
6	C	0008	WIO	EXXON	40.0000000%	101,842.40	0000000000
7	C	0008	WIO	BPXA	20.0000000%	50,921.20	0000000000
8	C	0008	WIO	ARCO AK	40.0000000%	101,842.40	0000000000
9	C	0009	NPT	Total	100.0000000%	254,606.00	0000000000
10	C	0009	WIO	EXXON	40.0000000%	101,842.40	0000000000
11	C	0009	WIO	BPXA	20.0000000%	50,921.20	0000000000
12	C	0009	WIO	ARCO AK	40.0000000%	101,842.40	0000000000

### Alaska Royalty Operator Report Completed Example

13	O	0010	NPT	Total	100.00000000%	224,657.00	0000000000
14	O	0010	WIO	EXXON	40.00000000%	89,862.80	0000000000
Line	Product	Disposition	Allocation	Lessee	Offtake		Selling
No.	Code	Code	Code	Name	Percent	Quantity	Arrangement
15	O	0010	WIO	BPXA	20.00000000%	44,931.40	0000000000
16	O	0010	WIO	ARCO AK	40.00000000%	89,862.80	0000000000
17	O	0020	NPT	Total	0.00000000%	0.00	0000000000
18	O	0020	WIO	EXXON	0.00000000%	0.00	0000000000
19	O	0020	WIO	BPXA	0.00000000%	0.00	0000000000
20	O	0020	WIO	ARCO AK	0.00000000%	0.00	0000000000
21	O	0032	NPT	Total	0.00000000%	0.00	217010A000
22	O	0032	WIO	EXXON	0.00000000%	0.00	217010A000
23	O	0032	WIO	BPXA	0.00000000%	0.00	217010A000
24	O	0032	WIO	ARCO AK	0.00000000%	0.00	217010A000
25	N	0010	NPT	Total	100.00000000%	29,949.00	0000000000
26	N	0010	WIO	EXXON	40.00000000%	11,979.60	0000000000
27	N	0010	WIO	BPXA	20.00000000%	5,989.80	0000000000
28	N	0010	WIO	ARCO AK	40.00000000%	11,979.60	0000000000
29	O	2010	TROY	Total		28,082.13	0000000000
30	O	2010	ROY	EXXON		11,232.85	0000000000
31	O	2010	ROY	BPXA		5,616.43	0000000000
32	O	2010	ROY	ARCO AK		11,232.85	0000000000
33	O	2010	TRIV	Total		10,629.18	0000000000
34	O	2010	RIV	EXXON		4,251.67	0000000000
35	O	2010	RIV	BPXA		2,125.84	0000000000
36	O	2010	RIV	ARCO AK		4,251.67	0000000000
37	O	2010	TRIK	Total		17,452.95	0000000000
38	O	2010	RIK	EXXON		6,981.18	0000000000
39	O	2010	RIK	BPXA		3,490.59	0000000000
40	O	2010	RIK	ARCO AK		6,981.18	0000000000
41	O	2032	TROY	Total		0.00	217010A000
42	O	2032	ROY	EXXON		0.00	217010A000
43	O	2032	ROY	BPXA		0.00	217010A000
44	O	2032	ROY	ARCO AK		0.00	217010A000
45	O	2032	TRIV	Total		0.00	217010A000
46	O	2032	RIV	EXXON		0.00	217010A000
47	O	2032	RIV	BPXA		0.00	217010A000
48	O	2032	RIV	ARCO AK		0.00	217010A000
49	O	2032	TRIK	Total		0.00	217010A000
50	O	2032	RIK	EXXON		0.00	217010A000
51	O	2032	RIK	BPXA		0.00	217010A000
52	O	2032	RIK	ARCO AK		0.00	217010A000
53	N	2010	TROY	Total		3,743.63	0000000000
54	N	2010	ROY	EXXON		1,497.45	0000000000
55	N	2010	ROY	BPXA		748.73	0000000000
56	N	2010	ROY	ARCO AK		1,497.45	0000000000
57	N	2010	TRIV	Total		1,416.98	0000000000

### Alaska Royalty Operator Report Completed Example

58	N	2010	RIV	EXXON		566.79	0000000000
59	N	2010	RIV	BPXA		283.40	0000000000
Line No.	Product Code	Disposition Code	Allocation Code	Lessee Name	Offtake Percent	Quantity	Selling Arrangement
60	N	2010	RIV	ARCO AK		566.79	0000000000
61	N	2010	TRIK	Total		2,326.65	0000000000
62	N	2010	RIK	EXXON		930.66	0000000000
63	N	2010	RIK	BPXA		465.33	0000000000
64	N	2010	RIK	ARCO AK		930.66	0000000000
65	C	0008	OWT	Total	100.0000000%	254,606.00	0000000000
66	C	0008	LT	EXXON	40.0000000%	101,842.40	0000000000
67	C	0008	LT	BPXA	20.0000000%	50,921.20	0000000000
68	C	0008	LT	ARCO AK	40.0000000%	101,842.40	0000000000
69	C	0008	CIT	Total		0.00	0000000000
70	C	0008	LCI	EXXON		0.00	0000000000
71	C	0008	LCI	BPXA		0.00	0000000000
72	C	0008	LCI	ARCO AK		0.00	0000000000
73	C	0008	PIT	Total		0.00	0000000000
74	C	0008	LPI	EXXON		0.18	0000000000
75	C	0008	LPI	BPXA		(0.36)	0000000000
76	C	0008	LPI	ARCO AK		0.18	0000000000
77	C	0008	OULT	Total		0.00	0000000000
78	C	0008	LOU	EXXON		0.18	0000000000
79	C	0008	LOU	BPXA		(0.36)	0000000000
80	C	0008	LOU	ARCO AK		0.18	0000000000

## 5. Reporting Examples For the Schedule O1

### a. Outside/Unitized Substance Reporting

When an Accounting Unit uses injectants from sources outside the Accounting Unit, and the injectants have had royalties paid from the source Accounting Unit, and when those injectants involve the crediting of those volumes, a reporting process using outside and unitized substances will be used whenever possible.

Those cases where outside and unitized substances are involved should include regular reporting on the Operator Report of 'ROY', 'RIV', 'RIK' volumes based on the WIO volumes allocated to each lessee according to the lease agreements. See the Operator Example beginning on Page 17.

Based on the language of the State of Alaska lease agreement:

"ROYALTY ON PRODUCTION. Except for oil, gas, and associated substances used on the leased area for development and production or unavoidably lost, the lessee shall pay to the lessors as a royalty 'xxxxx' percent in amount or value of the, oil gas, and associated substances **saved, removed, or sold from the leased area** and of the gas from the leased area used on the leased area for extraction of natural gasoline or other products." (Bold emphasis added.)

The royalty rate for the lease is applied to the gross production from a lease with the exception of the volumes identified in the above paragraph. In the case of the leases where outside substances were injected to increase recovery of produced volumes, the same rule applies. Whatever volumes result from the gross production will have the lease agreement royalty rate initially applied by the operator. This is a standard applied to all accounting units producing in the state of Alaska. These volumes are to be reported on the Royalty Operator report as 'ROY' volumes in accordance to each lessee's assigned working interest ownership in a lease or leases included in an Accounting Unit. In the case where the State is taking its royalty share, the 'ROY' volumes are further broken down between 'RIV' (royalty-in-value) and 'RIK' (royalty-in-kind) volumes based again on the gross volumes.

Subsequent to identifying the gross royalty volumes upon which the State is entitled to take or be paid for, lessees may have agreement(s) to reduce the royalty due the State based on pre-paid royalties on injected substances. Such agreements are independent of the lease agreement and thusly those reductions will be reported on the Royalty Valuation Report. Each lessee is responsible for identifying the full disposition of its allocated royalty portion on the Royalty Valuation Report. Such reporting will include breakdowns and reconciliations of the Royalty Operator Report reported volumes and the volume and valuation accounting on the Royalty Valuation Report.

'WIO' (Working Interest Owner) volumes identified on the Royalty Operator Report for a particular Product and Disposition should be equal to the sum of all breakdowns of the same Product and Disposition on the Royalty Valuation Report. The example of the allocation of 'WIO' and 'ROY' volumes to be reported on the Royalty Operator Report begins on Page 20. The 'OPER' line of data shown represents these volumes. Note that since no 'RIK' volumes are taken in this example, the 'RIK' volumes would be reported as zero on the Royalty Operator Report. From the operator's view and application of lease royalty rates, the 'RIV' will equal the 'ROY' volume allocated to each lessee because of zero volumes allocated to 'RIK', because the operator has no responsibility for subsequent agreements that may further reduce the 'RIV' volume.

'WIO' volumes to be reported on the Royalty Valuation Report are to be further broken down according to Lease Types, 'STAN', 'NFC', and 'NPSL' by (Selling) Arrangement code. The 'ROY' lines of data

shown represent these volumes. Again note that since no 'RIK' volumes are taken in this example, the 'RIK' volumes would be reported as zero on the Royalty Valuation Report. See page 7 for an example of the ARCO AK Royalty Valuation Report and page 10 for an example of the BPXA Royalty Valuation Report.

Note that the 'WIO' total reported on the Royalty Operator Report equals the sum of the 'WIO'-Lease Type (STAN, NFC, NPSL) volumes reported on the Royalty Valuation Report for the 'Oil' '0010' Disposition. Similarly, volumes for the 'Oil' '0050' Dispositions are shown in the table on page 3. Each of these Product Disposition combinations show the claim for injected substances in the name of 'OS' (Outside Substances) which the lessee is claiming against the gross 'WIO' volume allocate to them. Thus, each Lease Type breakdown of 'WIO' volume will be equal to the sum of its associated 'OS' and 'US' (Unitized Substances).

Further note, 'ROY' volumes are reported on the Royalty Valuation Report in breakdowns of 'ROS' (Royalty portion of Outside Substances), 'RIV' (royalty-in-value), and RIK (royalty-in-kind) volumes. The 'ROS' volumes represent the portion of the 'ROY' volume a lessee is claiming a credit for prepaid royalties on injected substances. Thus, the 'ROS' volume reduces the 'ROY' volume to the net 'RIV' volume on the Royalty Valuation Report. The 'RIV' volume reported on the Royalty Valuation Report represents the volume upon which the lessee actually pays dollar amounts for the Current Production Month. The sum of the 'RIV' and 'ROS' volumes on the Royalty Valuation Report will equal the 'RIV' volume reported on the Royalty Operator Report.

Reporting royalty volumes in this manner provides a complete audit trail of royalty volumes both from the operator and the lessee's standpoint and the ability to fully reconcile the totals for 'ROY', 'RIK', 'ROS', and 'RIV' between the two reports.

**EXAMPLE OF OPERATOR AND LESSEE VOLUME ALLOCATIONS BY COMPANY & DISPOSITION**

	Company A	OIL with 0010 Disposition						
		WIO	OS	US	ROY-RATE	OP-ROY	ROS	RIV
OPER	TOTAL	3,652,971.49			* .12501	456,657.67		
ROYR	STAN	3,613,413.46	361,341.35	3,252,072.11	0.125000000	451,676.38	45,167.67	406,509.01
ROYR	NFC	11,311.18	1,131.12	10,180.06	0.128230089	1450.43	145.04	1,305.39
ROYR	NPSL	28,246.85	2,824.68	25,422.17	0.125000000	3,530.86	353.09	3,177.77
CHECK	TOTAL	3,652,971.49	365,297.15	3,287,674.34		456,657.67	45,665.80	410,992.17
			3,652,971.49				456,657.97	
	Company B	OIL with 0010 Disposition						
		WIO	OS	US	ROY-RATE	OP-ROY	ROS	RIV
OPER	TOTAL	2,671,021.52			* .12500983	333,903.95		333,903.95
ROYR	STAN	2,642,097.94	264,209.79	2,377,888.15	0.125000000	330,262.24	33,026.22	297,236.02
ROYR	NFC	8,270.37	827.04	7,443.33	0.128174	1,060.05	106.01	954.04
ROYR	NPSL	20,653.21	2,065.32	18,587.89	0.125000000	2,581.65	258.17	2,323.49
CHECK	TOTAL	2,671,021.52	267,102.15	2,403,919.37		333,903.94	33,390.39	300,513.55
			2,671,021.52				333,903.94	
	Company A	0050 Disposition						
		WIO	OS	US	ROY-RATE	OP-ROY	ROS	RIV
OPER	TOTAL	1,361.64			* 0.12501001	170.22		170.22
ROYR	STAN	1,346.89	134.69	1,212.20	0.125000000	168.36	16.84	151.53
ROYR	NFC	4.22	0.42	3.80	0.128230089	0.54	0.05	0.49
ROYR	NPSL	10.53	1.05	9.48	0.125000000	1.32	0.13	1.19
CHECK	TOTAL	1,361.64	136.16	1,225.48		170.22	17.02	153.20
			1,361.64				170.22	
	Company B	0050 Disposition						
		WIO	OS	US	ROY-RATE	OP-ROY	ROS	RIV
OPER	TOTAL	1,675.40			* .12500983	209.44		
ROYR	STAN	1,657.26	165.73	1,491.53	0.1250000	207.16	20.72	186.44
ROYR	NFC	5.18	0.52	4.66	0.1281740	0.66	0.07	0.60
ROYR	NPSL	12.96	1.30	11.66	0.1250000	1.62	0.16	1.46
CHECK	TOTAL	1,675.40	167.55	1,507.85		209.44	20.95	188.50
			1,675.40				209.44	
					*Weighted Average Royalty Rate For This Example			



# EXAMPLE OF OPERATOR REPORT FOR OUTSIDE SUBSTANCE REPORTING

State of Alaska							
Department of Natural Resources							
Division of Oil and Gas							
(a) Operator Name: Company A							
(b) Address: P.O. Box 1000							
City, State, Zip: Anchorage, AK 99510							
(c) Prepared By:							
(d) Phone Number:					<b>EXAMPLE ROYALTY VOLUMES</b>		
(e) Fax Number:							
(f) Authorized Signature:							
(g) Authorized Signature (Printed):							
(h) Phone Number:							
(i) Fax Number:							
(j) Authorized Date: 08061999							
State of Alaska Royalty Operator Report (O1)							
(k) Customer ID Number: 000000000							
(l) Production Month: 071999					(o) Accounting Unit: Kuparuk PA		
(m) Report Type: O1					(p) Accounting Unit Code: KPRK		
(n) Report Code: OR					(q) Revision No. 00		
(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
Line No.	Product Code	Disposition Code	Allocation Code	Lessee Name	Percent	Quantity	Selling Arrangement
1	C	0006	NPT	TOTAL	100.0000000%	6,729,039.00	0000000000
2	C	0006	WIO	B	39.8676900%	2,682,712.49	0000000000
3	C	0006	WIO	E	0.2159100%	14,528.41	0000000000
4	C	0006	WIO	D	4.9139600%	330,662.49	0000000000
5	C	0006	WIO	C	0.1083000%	7,287.64	0000000000
6	C	0006	WIO	F	0.3629100%	24,420.25	0000000000
7	C	0006	WIO	A	54.5312300%	3,669,427.72	0000000000
8	C	0008	NPT	TOTAL	100.0000000%	6,702,246.04	0000000000
9	C	0008	WIO	B	39.8707000%	2,672,696.92	0000000000
10	C	0008	WIO	E	0.2159000%	14,463.59	0000000000
11	C	0008	WIO	D	4.9138000%	329,185.73	0000000000
12	C	0008	WIO	C	0.1083000%	7,255.24	0000000000
13	C	0008	WIO	F	0.3629000%	24,311.43	0000000000
14	C	0008	WIO	A	54.5284000%	3,654,333.13	0000000000
15	C	0009	NPT	TOTAL	100.0000000%	6,699,209.00	0000000000
16	C	0009	WIO	B	39.8707000%	2,671,021.52	0000000000
17	C	0009	WIO	E	0.2159000%	14,463.59	0000000000
18	C	0009	WIO	D	4.9138000%	329,185.73	0000000000
19	C	0009	WIO	C	0.1083000%	7,255.24	0000000000
20	C	0009	WIO	F	0.3629000%	24,311.43	0000000000
21	C	0009	WIO	A	54.5284000%	3,652,971.49	0000000000

22	O	0010	NPT	TOTAL	100.0000000%	6,699,209.00	0000000000
23	O	0010	WIO	B	39.8707000%	2,671,021.52	0000000000
24	O	0010	WIO	E	0.2159000%	14,463.59	0000000000
25	O	0010	WIO	D	4.9138000%	329,185.73	0000000000
26	O	0010	WIO	C	0.1083000%	7,255.24	0000000000
27	O	0010	WIO	F	0.3629000%	24,311.43	0000000000
28	O	0010	WIO	A	54.5284000%	3,652,971.49	0000000000
36	O	0030	NPT	TOTAL	100.0000000%	26,792.96	0000000000
37	O	0030	WIO	B	37.3813500%	10,015.57	0000000000
38	O	0030	WIO	E	0.2419300%	64.82	0000000000
39	O	0030	WIO	D	5.5117500%	1,476.76	0000000000
40	O	0030	WIO	C	0.1209300%	32.40	0000000000
41	O	0030	WIO	F	0.4061500%	108.82	0000000000
42	O	0030	WIO	A	56.3379000%	15,094.59	0000000000
43	O	0050	NPT	TOTAL	100.0000000%	3,037.04	0000000000
44	O	0050	WIO	B	55.1655600%	1,675.40	0000000000
45	O	0050	WIO	A	44.8344400%	1,361.64	0000000000
46	O	2010	TROY	TOTAL		843,964.40	0000000000
47	O	2010	ROY	B		333,903.95	0000000000
48	O	2010	ROY	E		1,822.12	0000000000
49	O	2010	ROY	D		41,470.72	0000000000
50	O	2010	ROY	C		914.01	0000000000
51	O	2010	ROY	F		3,062.75	0000000000
52	O	2010	ROY	A		456,657.97	0000000000
53	O	2010	TRIV	TOTAL		843,964.40	0000000000
54	O	2010	RIV	B		333,903.95	0000000000
55	O	2010	RIV	E		1,822.12	0000000000
56	O	2010	RIV	D		41,470.72	0000000000
57	O	2010	RIV	C		914.01	0000000000
58	O	2010	RIV	F		3,062.75	0000000000
59	O	2010	RIV	A		456,657.97	0000000000
60	O	2050	TROY	TOTAL		379.66	0000000000
61	O	2050	ROY	B		209.44	0000000000
62	O	2050	ROY	A		170.22	0000000000
63	O	2050	TRIV	TOTAL		379.66	0000000000
64	O	2050	RIV	B		209.44	0000000000
65	O	2050	RIV	A		170.22	0000000000
66	C	0008	OWT	TOTAL	100.0000000%	6,702,246.04	0000000000
67	C	0008	LT	B	39.1920000%	2,626,744.27	0000000000
68	C	0008	LT	E	0.2173000%	14,563.98	0000000000
69	C	0008	LT	D	4.9506000%	331,801.39	0000000000
70	C	0008	LT	C	0.1086000%	7,278.64	0000000000
71	C	0008	LT	F	0.3648000%	24,449.79	0000000000
72	C	0008	LT	A	55.1667000%	3,697,407.97	0000000000
73	C	0008	CIT	TOTAL		0.00	0000000000
74	C	0008	LCI	B		45,952.65	0000000000
75	C	0008	LCI	E		(100.39)	0000000000
76	C	0008	LCI	D		(2,615.66)	0000000000

77	C	0008	LCI	C		(23.40)	0000000000
78	C	0008	LCI	F		(138.36)	0000000000
79	C	0008	LCI	A		(43,074.84)	0000000000
80	C	0008	PIT	TOTAL		0.00	0000000000
81	C	0008	LPI	B		46,354.95	0000000000
82	C	0008	LPI	E		(362.12)	0000000000
83	C	0008	LPI	D		(5,100.13)	0000000000
84	C	0008	LPI	C		(60.31)	0000000000
85	C	0008	LPI	F		(394.66)	0000000000
86	C	0008	LPI	A		(40,437.73)	0000000000
87	C	0008	OULT	TOTAL		0.00	0000000000
88	C	0008	LOU	B		92,307.60	0000000000
89	C	0008	LOU	E		(462.51)	0000000000
90	C	0008	LOU	D		(7,715.79)	0000000000
91	C	0008	LOU	C		(83.71)	0000000000
92	C	0008	LOU	F		(533.02)	0000000000
93	C	0008	LOU	A		(83,512.57)	0000000000